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Web Presence, Website Marketing Plan and Technology Integration A project for Lone Tree Creek

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Web Presence, Website Marketing Plan And Technology Integration

A Project For
Lone Tree Creek

A project submitted in partial fulfillment of the requirements for
the Masters of Science in Information Systems
Dakota State University
2002

Lee Friesen



MSIS
PROJECT APPROVAL FORM

Student Name: Lee Friesen

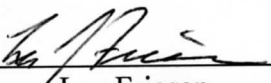
Expected Graduation Date: 12/02

Master's Project Title: Web Presence, Website Marketing Plan And Technology Integration A Project For Lone Tree Creek

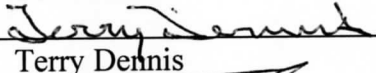
Date Project Plan Approved: 9/19/02

Date Project Coordinator Notified and Grade Submitted: _____

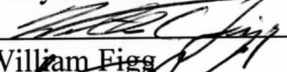
Approvals/Signatures:

Student: 
Lee Friesen

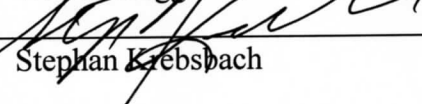
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Original Attached to Written Report

Copies to: Advisor, Graduate Coordinator, and Student

Abstract

This project illustrates the processes involved in creating a website marketing plan, developing a small-scale website that can be easily maintained by a user with little training in technology. The focus of this project is to create a solid web presence on a very limited budget. The first stages of the project involve research of the company and competitors. Next the move to design of the website and database system. During the entire process the marketing plan is being developed. The result of this project is <http://www.lonetreecreek.com> and a viable marketing plan to enable Lone Tree Creek to expand the visualization of their website, thus increasing market awareness.

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Development of the Lone Tree Creek Website with Database Links and

Web Site Marketing Plan

Introduction

According to Win Treese, author of Designing Systems for Internet Commerce and of <http://www.treese.org/intindex/00-06.htm>, in 1999 over 3.1 Billion dollars were spent on Internet advertising by businesses. While this information is staggering, the report continues to indicate that only 38% of all Internet based businesses were profitable in 1999. With a simple Yahoo search for "Farm Toys" a staggering 478,000 possibilities surfaced. When done in Google, 532,000 possibilities. The Internet has proven that it provides an outlet for nearly everything, and the Internet has provided a source for nearly everything as well. With a half-million possible choices to look for Farm Toys, where does one start? How does website marketing and how do website optimization techniques help identify the niche' market available on the Internet?

Lone Tree Creek is a very small business with very big dreams located on the banks of the Lone Tree Creek near Olivet, SD.

Lone Tree Creek approached me with a request to help in initiating their corporate/business identity through the development of a website, a website marketing plan and setting up a basic technology backbone plan for the future. Lone Tree Creek indicated that they are on a seriously tight budget and will not be able to immediately expand their technology equipment. With that in mind, all changes were made to fit their current technology while allowing for future expansion. Lone Tree Creek's initial goal was to develop a website that is competitive in nature to it's competitors or comparable companies. Since Lone Tree Creek's ultimate goal is to be a self sustaining business that

designs, manufactures and markets farm toys, the sourcing of competition was focused on finding other companies that manufactured farm toys. Through research, the primary competitors have been defined as Moore's Farm Toys and C&D Models. The secondary competitors have been defined as Scale Models and Spec Cast. A third level of competitors would rank the Racing Champions/ERTL Company. Because of the size and scope of the third ranking competitor, the focus of the website and marketing plan is to compare the website structure to the first and secondary level.

The basic structure that Lone Tree Creek is looking for is a simple yet well designed, easy to maintain website, with a simple inventory database to link to the <http://www.lonetreecreek.com> site. With little database exposure, a general Microsoft Access database was designed to offer a user friendly environment for data entry and a step by step process to update data from the database to the website. Because Lone Tree Creek is also a reseller of memorabilia from all aspects of agriculture an online shopping cart system is being evaluated. The shopping cart project is not in the scope of this project. Lone Tree Creek is also looking for a new website host and setting up multiple e-mail accounts. One primary element is to ensure that the website is to be viewed easily by customers with a dial up network.

This project has also been designed to help work through marketing issues and website design problems faced by Lone Tree Creek. It was the goal of this project to complete the initial design of a new website: <http://www.lonetreecreek.com> (which will be re-designed with graphic artists once finances allow), create a marketing plan for the website, incorporate a database system to allow Lone Tree Creek to enter inventory items

and have them represented on the website, and begin a corporate identity development plan for Lone Tree Creek.

Deliverables for the project include:

1. Transfer the website to a new web host
2. Web Site
 - a. General site
 - b. Information Request Form
 - c. Mailing List Request Form
 - d. E-Mail accounts and list created
 - e. Password protected pages for specific pages to protect project development ideas that are being shared with others.
 - f. Basic database system integration
3. E-mail distribution list(s)
4. Basic database for inventory purposes
5. Company Logo
6. Web site registration at major search engines
7. Key elements in the code for website listing and optimization
8. Off the shelf accounting system will be implemented

Statement of Problem

Prior to the start of this project, Lone Tree Creek had a basic web presence at <http://www.lonetreecreek.com>. This website was hosted on the local telephone companies server (Golden West Telecommunications – <http://www.gwtc.net>). One of the first issues became deciding if this was an acceptable host or if a more economical choice was available. Their current host allowed for 100mb of storage and minimal transfer rates. The current host also only allowed for 5 e-mail accounts that are not true domain extensions. For example the purchases@lonetreecreek.com e-mail gets forwarded to a purchases@gwtc.net account. This is confusing for customers who send e-mail to lonetreecreek.com, and get returned mail from gwtc.net. This confusion needed to be corrected to insure a proper visual identity of the Lone Tree Creek image is to emerge. In an effort to effectively determine the best possible alternative host for Lone Tree Creek an evaluation of competitive companies was done. Specifications were compared from multiple companies to determine what Lone Tree Creek needed at the immediate time, and what the company will potentially need in the future. A thorough evaluation was done of over 20 different web hosts and a more in-depth review of 4 web hosts found at <http://www.webhostingratings.com/> was done. Ultimately the decision was to use www.hostcabin.com as the new host. This decision was based upon the current and projected needs of Lone Tree Creek as well as personal experience with the company. The website of www.hostcabin.com may or may not be the best and or the most economical choice for other companies but it fit the niche' for Lone Tree Creek.

The website of www.lonetreecreek.com does not show up early on the search engine results when a generic search was done for 'farm toys' or 'farm memorabilia'. This was important information to be used in the marketing plan for the www.lonetreecreek.com website. According to <http://www.statmarket.com>, Google, Yahoo, MSN and AOL account for more than 90 percent of search referrals to shopping web sites. This information was backed up by a recent Nielson NetRating analysis. This analysis is found at <http://wearchenginewatch.com/reports/netratings.com> (see appendix A). It is also important that the user find the website fast. According to the Nielson NetRating analysis, the average number of minutes spent per visitor at each site on search-specific activities ranged from 36.4 minutes to 3.0 minutes. (see appendix B). According to eMarketer, 'Sales data from online retailers shows that repeat customers account for a growing portion of online sales, and these same customers are typically spending more each time they buy online.' The study done by eMarketer looked at three primary areas of retailers' business operations that have been changed by the advancement of the Internet. These areas consisted of: IT and e-business spending; online advertising; and selling to consumers online. This data has shown that retailers view the website as a major tool or priority. When this is compared to the research done for Lone Tree Creek, I found that most websites of a competitive nature to Lone Tree Creek do not share this same thought process rather they look at it from an secondary standpoint. The data found on eMarketer also has shown that while retailers view the Internet and their website as a priority, they do not spend a large percentage of their advertising budgets on Internet advertisements (see appendix C).

Lone Tree Creek has the goal to be able to offer an online shopping cart at some point in the future; it is vital that Lone Tree Creek is noticed on the web by these major search engines. According to the research shown earlier it is also important that Lone Tree Creek begins a print advertisement campaign. Because print advertisement can reach the specific niche' market Lone Tree Creek is identifying, the advertising budget will be better utilized.

The website www.lonetreecreek.com was very elementary and created entirely with Microsoft FrontPage. While creating a website with the current technology and limitations of Microsoft FrontPage is not necessarily bad, when it is the sole use of technology it limits the creativity and options that the web will allow. It had multiple blank pages along with multiple broken links. The website storage structure was not well organized. This disorganization did not allow for easy updates and it made certain web addresses very long and cumbersome. The website did not have any natural flow and common identifying traits such as: Corporate Logos, Color Patterns, Background Colors and other aspects that can be offered through the use of Cascading Style Sheets to provide consistency and uniformity in web design. Because of these problems, the website was confusing to users and did not keep the potential customer at the site long enough to make buying decisions. According to a recent study reported by iMarketing News (<http://www.imarketingnews.com>), the average online purchase doesn't take place until a user has been at a website for 12-minutes.

The website also lacked any password protected pages. This did not allow Lone Tree Creek to post confidential items, such as dealer prices and/or future project discussions to specific pages and share data via the website in a controlled environment.

The only way to contact Lone Tree Creek via the website was by following e-mail links to a single e-mail account. This single e-mail account did not allow Lone Tree Creek to have customers with specific requests contact the appropriate departments directly. Lone Tree Creek identified that they would like to have forms to allow customers to request more information. These forms would allow them to do several things: build a collection of addresses of potential customers; bring personalized information to potential customers as well as a host of other uses. Upon a review of competitor's websites, few had this option. The forms have been initially designed to 'submit' to an e-mail address. This process will be changed to allow specific information to be recorded in a database system that will help the mailing list of Lone Tree Creek expand. This expansion will take place after Lone Tree Creek feels comfortable with the new database inventory system. This expansion was not part of the root project and therefore will be implemented later to avoid 'project creep'.

Another problem facing Lone Tree Creek with an Internet presence is the possibility of theft of original artwork, copyrighted material and intellectual property in the form of sharing ideas, concepts and prototype work via the Internet. According to a Congressional Research Service Report by Rita Tehan, Information Research Specialist of the Library of Congress, "Congress will play a vital role in many e-commerce policy issues, including Internet taxation, encryption and electronic authentication, intellectual property protection, computer network security, and privacy safeguards for individuals and organizations as well as consideration of how European Union and World Trade Organization policies may affect U.S. e-commerce activities" (see appendix D for the full report of the CRS Report For Congress). Lone Tree Creek needs to stay up to date

on current trends of e-commerce and its relationship to laws and protection rights. Lone Tree Creek works with copyrighted material that belongs to other companies. The rights for these copyrighted materials, through special licensing agreements, are on a limited basis transferred for special purposes to Lone Tree Creek. Proper use of these items as well as proper use of Lone Tree Creek's properties is vital.

Upon reviewing the company websites a website evaluation worksheet was devised using the root worksheet developed by Dr. Nancy Everhart, St. John's University. The worksheet was modified to meet the needs of this project. (See appendix E for the original worksheet by Dr. Nancy Everhart, St. John's University and the revised version used in this project.) Upon initial review of competitive websites that provide similar services and products, it appears as though they do not consider the web a valuable selling tool, with one exception. The one exception is Racing Champions/ERTL. Because of the corporate size of Racing Champions/ERTL, they are not considered a direct competitor and have been used throughout this project as a model rather than a comparative tool. Most companies that provide similar products do not go into much detail with descriptions, history and background information on company products. None of the companies evaluated truly explained future projects or solicited much advice from customers. A new program that originated as a result of this project is being developed to incorporate customer ideas into new products. This program rewards customers for their ideas with valuable prototype samples if their ideas are implemented. More detailed information can be found on this project at <http://www.lonetreecreek.com> under the heading of "You Be The Developer". One of the companies of a similar size and scope to Lone Tree Creek had several blank pages on their site where new

information would soon be. It was determined through discussions with Lone Tree Creek that no web pages would be placed on the web that contained 'under construction' or held similar statements. This decision was based upon information presented in an INFS class about the customer dissatisfaction with uncompleted sites. Web pages that are not complete will not contain live links to them; therefore will not be viewed by the public. Lone Tree Creek is struggling to develop a uniform identity that would allow them to be recognized visually by customers, potential customers and others in the industry. A marketing plan was devised to help guide Lone Tree Creek through the decision making process on how to get the word out about their website without spending a fortune. Keeping in mind data that was collected and presented at the beginning of this report, 3.1 billion dollars were spent and only 38% of businesses were profitable. It is the goal of this website to be profitable in 2003. Please see the appendix F for the complete copy of the marketing plan designed for <http://www.lonetreecreek.com>.

One final aspect that Lone Tree Creek has identified is setting up an off the shelf accounting system that would integrate into their current technology. The need for invoicing and inventory control is now done simply by an Excel spreadsheet that is made from scratch for each sale and for inventory simply counting items in a storage bin. The current system is literally a stack of scraps of paper with handwritten notes and scribbles. FrontPage, HTML, Cascading Style Sheets, Access Database, Excel Spreadsheets, Word Documents, Adobe PDF files, EPS Illustrator files and selected DWG, DXF, STL and other CAD files were and will be used in the implementation of this website. FrontPage has been used for the basic HTML coding structure (no reason to re-invent the wheel). Because of FrontPage's coding process, HTML code can be altered and tailored to meet

any demand needed for this project.

Off the shelf programs will be evaluated for implementation in the accounting system.

The primary focus was on Microsoft Money, QuickBooks, and Peachtree Accounting.

Objectives

From this project I have developed a new web based corporate identity for Lone Tree Creek. This identity contains a newly designed company logo (see appendices), a well designed website found at <http://www.lonetreecreek.com> that not only shows the current products Lone Tree Creek has, but also future project information that Lone Tree Creek is working on. The website also contains a section for secondary market items. These secondary market items are those of a “collectible” nature that are substitute niche’ products. These secondary products were the beginning of the Lone Tree Creek business. These secondary market items will help draw potential customers to the website. This will allow more visitors to view the Lone Tree Creek products, thus increasing visualization and assist with cash flow. Another project that has been initiated as a result of this INFS project is to join into a partnership of sorts with a well-known Farm Toy Dealer by offering his secondary products on the web. This will allow Lone Tree Creek to earn a percentage of the sale price for hosting the images and data, increase the visualization by offering more products and allow for free advertising (as the partner will advertise his products listing the Lone Tree Creek website as a source). While the graphic representation of the website is minimal, it was done for a specific purpose: According to Lone Tree Creek their primary customer base uses the Internet with a dial up connection. Large graphic sites are typically a hindrance, especially if it is being visited for the first time. The use of cascading style sheets enabled me to provide uniform data to each page. Shared Borders, similar in structure to Cascading Style Sheets were used in this website creation. Shared Borders allow a user to alter border data on any page in the WYSIWYG (what you see is what you get) environment. Because this website will solicit

information from its visitors to help create the identity of Lone Tree Creek, a specific section of the website needed to be addressed: Statement of Use and Privacy Statement. This section of the site releases information of a legal nature to visitors about the site content, its purpose, uses and rights of use and limitations. This section also reinforces the commitment Lone Tree Creek has to safeguarding the privacy of its customers. An E-mail distribution list will be formulated to use as a base for sending out company newsletters and e-mail information on new products as well as promotional projects. This E-mail distribution list will take years to develop and will be an ongoing process. HTML coding of e-mail is being explored as an option for creating attractive and informative e-mail messages that catch the users eye. Limitations will of course be customers with dial up networking and E-mail accounts that either do not accept or are not set to handle HTML coded e-mail messages. Microsoft Outlook Express was chosen as the primary E-mail handling tool because of its ability to switch identities, thus multiple E-mail accounts can be checked from one computer.

Search engine registrations through numerous services and developing the website to make it accessible by search engine robots by the addition of meta tags to each page as well as proper optimization of the websites placement was processed during the creation of this website.

I have also researched web-hosting businesses and made a recommendation to Lone Tree Creek for a new web host. Host Cabin was the resulting company that I chose for hosting the Lone Tree Creek website.

The basic technology backbone was set up using their existing technology. A 5-year plan for upgrading technology was developed to reinforce their current backbone of

technology (see appendix H). This plan must be revisited annually and adjusted based upon the growth of Lone Tree Creek in order for it to remain effective. Off the shelf accounting systems were evaluated: Peachtree accounting and QuickBooks were chosen for further evaluation by Lone Tree Creek. Lone Tree Creek will evaluate both software packages and make a decision based upon their personal preferences during the first quarter of 2003. Once this decision has been made, I will install the software and make needed connections for Lone Tree Creek.

Deliverables for the project include:

1. Transfer the website to a new web host
2. Web Site
 - a. General site
 - b. Information Request Form
 - c. Mailing List Request Form
 - d. E-Mail accounts and list created
 - e. Password protected pages for specific pages to protect project development ideas that are being shared with others.
 - f. Basic database system integration
3. E-mail distribution list(s)
4. Basic database for inventory purposes
5. Company Logo
6. Web site registration at major search engines
7. Key elements in the code for website listing and optimization
8. Off the shelf accounting system will be implemented

Scope of the Project

The first step was to interview and survey Lone Tree Creek to determine what Lone Tree Creek had for technology and what their plans for the near and intermediate future are.

Second I evaluated the current technology skills of Lone Tree Creek and determined the primary focus for the website development. It was determined that primarily the website would be designed with HTML and then transferred into a FrontPage environment. Lone Tree Creek has been a pivotal partner in this project, learning basic maintenance and structure techniques so they will be able to take over the website design after the project has ended. During this stage it was also determined that at some point (as business finances would allow) a graphic artist would be hired to design the website graphics. During the first 2 steps of the project, Lone Tree Creek was officially and unofficially interviewed to determine what Lone Tree Creek envisioned for a finished website with regards to total content, graphics and general structure.

The next step was to research businesses that manufacture similar items as Lone Tree Creek and review their websites for functionality, content and structure. This research was done on the Internet, and through magazines such as "John Deere Traditions", "Farm Collector", "The Toy Farmer" and "Toy Trucker and Contractor". It was determined that Lone Tree Creek is by far the most basic and young company evaluated. The nearest comparisons were Moore's Farm Toys and C & D Models. (Subsequently because of this research, Lone Tree Creek and C & D Models are seeking to merge certain aspects of their business structure to work on joint ventures utilizing resource strengths of each company.) From this research the basic design structure was determined for the website.

It must be noted that the website designed for Lone Tree Creek must be made for a dramatically wide range of ages. It is estimated that the age range of collectors in this niche' market will be between 10 and 70. It was also determined that the age level of collectors will directly correspond to the dollar limit they are willing to spend.

Next I developed a basic blueprint for Lone Tree Creek based upon the interviews, survey and research of competitors. Upon finishing the basic blueprint, I formally presented the proposal to Lone Tree Creek for initial approval. Following this initial approval, needed corrections and updates were made to the initial plan blueprint and coding began. The key was listening to exactly what Lone Tree Creek wants...not what I thought they wanted. During this stage I conferred with Lone Tree Creek and graphic artists to develop company colors, logo and other graphics to be used on the site.

(According to Lone Tree Creek graphic artists will be hired during the later part of 2003 to help design graphics to be used on the website.) At this point, I will incorporate their designs into the updated website.

During several key stages in the development, I conferred with Lone Tree Creek to make sure the site was developing the same way as they envisioned it.

Once the website was completed I formally presented the finished version to Lone Tree Creek and upon gaining their final approval, published the site and tested it for functionality.

After the site had been published, I continued and finalized any submission processes to search engines in an effort to ensure Lone Tree Creek is seen on the web. During this stage, I began to develop an e-mail distribution list for Lone Tree Creek to use in

promotional mailings. This list is initially small, but will grow over time as Lone Tree Creek's customer base grows.

One of the largest elements was to be sure that the website loads fast. A previous survey done by Lone Tree Creek indicated that most potential customers were using dial up connections. Since Lone Tree Creek also has a dial up connection, I used their system as the control group and much of the design was done on their equipment.

During the entire process a marketing plan for the website was being developed. The marketing plan identifies key elements that Lone Tree Creek will be able to use to make decisions regarding making the website of <http://www.lonetreecreek.com> more visible. The marketing plan was developed to allow Lone Tree Creek to implement the plan in stages, as their finances would allow.

Results and Conclusions

Did I do what I set out to do? YES. Lone Tree Creek is impressed with the initial design of the website. I am comfortable with the website when compared to Lone Tree Creeks nearest competitors and when comparing the website to what the original website design held. I am anxiously awaiting the time when I will be able to confer with graphic artists to learn more about design aspects of websites.

The database structure when merged with the website works well and is functionally correct. The database design is simple in basic structure, but it does exactly what Lone Tree Creek wanted it to do.

Fortunately all of the deliverables were met. In an effort to keep within the constraints of the original project and avoiding project creep, plans are in the works to revisit the design of the website and routinely expand the content. Web pages are correct and complete.

The web pages, however, are not as 'glitzy' as I would have liked. This, I believe will happen, but it will be an evolution as Lone Tree Creek grows. With only 2 primary products on the market, it is hard to develop a customer following and strong visualization of products.

During this process I have learned that while FrontPage offers a few shortcuts to HTML design, it also holds certain restraints. When used correctly, it can offer timesavings during the design work, unfortunately in some cases those time saving events are often offset by time wasting events when it is required to edit out specific defaults inherent to a shelf product. I also was able to revisit material and information that was presented in nearly every class I had taken during the INFS program. Some information gained during these classes was used extensively and consciously, and others subconsciously.

The biggest compliment that I could have gained from this project was the fact that during the various stages of this project, I was able to help the business structure of Lone Tree Creek. During this project, 3 new segments to the business were initiated:

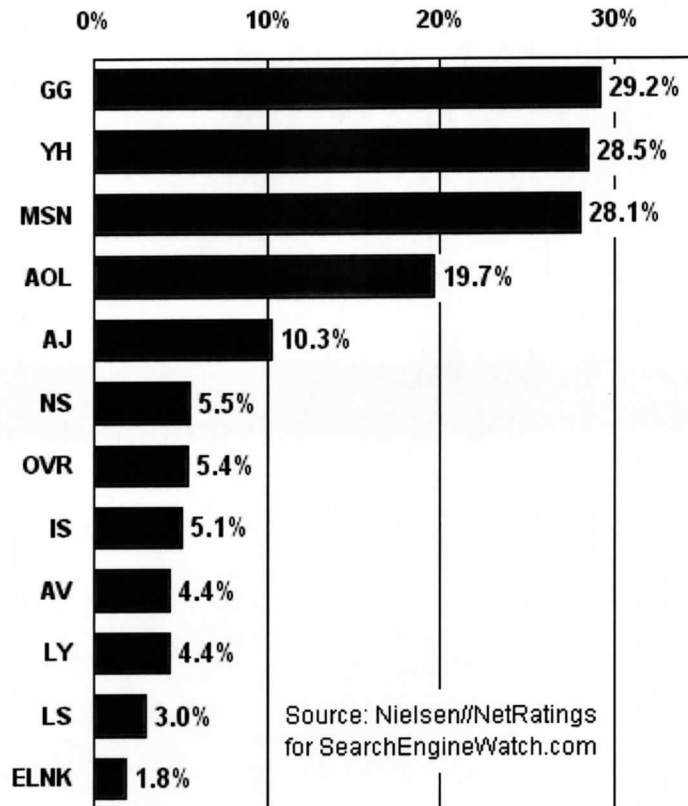
1. You Be The Developer
This project allows a customer with an idea to present the idea to Lone Tree Creek for evaluation. If this idea is a new idea to Lone Tree Creek and if it is incorporated into production the customer will receive a financial return for their idea. This will enable positive customer feedback and a personal interest in the company.
2. Joint Venture with C & D Models
Using positive aspects such as manufacturing facilities in China and years of experience offered by C & D Models, along with prototype designers and licenses held by Lone Tree Creek to merge into creating joint venture projects will increase the manufacturing processes efficiency.
3. Partnership with various Dealers
This project will allow Lone Tree Creek's secondary market inventory to be expanded without the need for financial output. This will also allow Lone Tree Creeks website of <http://www.lonetreecreek.com> to be publicized using shared financial resources.

I believe that this project has initiated a strong working relationship between what I have learned through the MSIS program and what Lone Tree Creek was looking for in a website and marketing plan. I believe that this will enable me to expand this project into similar companies that are looking for a specialty niche' market web presence without spending or incorporating the expensive segments to their sites.

I believe that I will be working very closely with the Lone Tree Creek website for the life of the company. I see a strong future for Lone Tree Creek and am excited to have been a part of the initial breakthrough into a positive web future for Lone Tree Creek.

Appendix A

US Digital Media Universe Audience Reach Home & Work Users October 2002



KEY: GG=Google, YH=Yahoo, MSN=MSN, AOL=AOL, AJ=Ask Jeeves, NS=Netscape, OVR=Overture (GoTo), IS=InfoSpace, AV=AltaVista, LY=Lycos, LS=LookSmart, ELINK=EarthLink.com

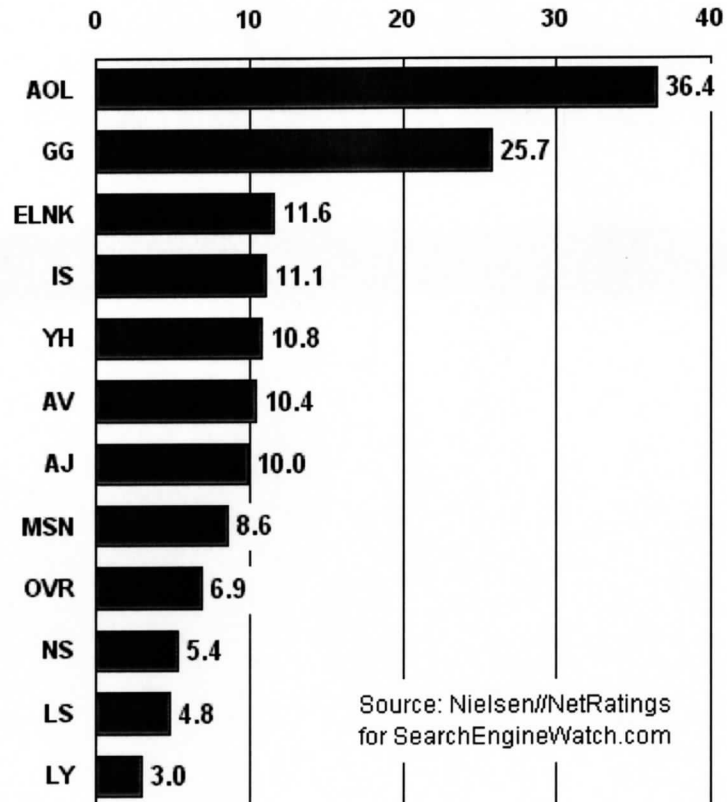
A panel of more than 60,000 home and work surfers was measured to estimate these figures. Because a web surfer may visit more than one service, the combined totals exceed 100 percent.

Appendix B

Average Minutes Spent Searching Per Visitor

Home & Work Users

October 2002



Appendix C

Retail Trend Two: Online Advertising

Ad spending is not robust. Among the 15 largest retail industry advertisers in the United States, internet advertising averaged just 0.74% of their total advertising budgets in 2001.

At the top of this list, Gap Inc., directed 2.78% of its total advertising spending online. Despite their strong internet presence, Circuit City, Office Depot and Wal-Mart all spent under 2% of their total advertising budgets online.

Leading US Retailers' Online Advertising Spending as a Percent of Total Advertising Budgets, 2001

Gap, Inc.	2.78%
Circuit City Stores	1.66%
Office Depot	1.37%
Federated Department Stores	1.16%
Wal-Mart Stores	1.15%
Saks Inc.	0.75%
Target Corp.	0.67%
Sears, Roebuck & Co.	0.61%
J.C. Penney Corp.	0.52%
Kmart Corp.	0.34%
Home Depot	0.02%
Albertson's	0.02%
Safeway	0.01%
May Department Stores Co.	0.01%
Kroger Co.	0.00%

Source: Advertising Age, June 2002; eMarketer calculations, September 2002

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www.eMarketer.com

Appendix D

CRS Report for Congress

E-Commerce Statistics: Explanation and Sources

CRS Report for Congress

Received through the CRS Web

E-Commerce Statistics: Explanation and Sources

February 22, 2002

Rita Tehan
Information Research Specialist
Information Research Division

E-Commerce Statistics: Explanation and Sources

Summary

The value of e-commerce transactions, while still small relative to the size of the U.S. economy, continues to show strong growth despite a recent economic downturn. Congress will play a vital role in many e-commerce policy issues, including Internet taxation, encryption and electronic authentication (i.e., digital signatures), intellectual property protection (i.e., patent or copyright infringement), computer network security, and privacy safeguards for individuals and organizations, as well as consideration of how European Union (EU) and World Trade Organization (WTO) policies may affect U.S. e-commerce activities

Although e-commerce growth is widely discussed, until recently it had remained largely undefined and unrecognized in official economic statistics. Establishing relevant and consistent working definitions is a critical first step in developing useful measures for e-commerce. The Bureau of the Census initiated an aggressive program in 2000 to begin filling the e-commerce data gap. In addition, the Bureau of Economic Analysis (BEA) is involved in measuring the new economy. BEA is studying the impact of the digital economy, to determine whether these changes should be captured in gross domestic product (GDP) and other economic accounts estimates.

Nonetheless, the Census Bureau and BEA face a number of obstacles to providing accurate forecasts of electronic commerce. These include categorizing retailers who appear, disappear, or change products with dizzying regularity. There are hurdles in collecting data from e-commerce companies, and in projecting data from survey respondents so that it represents the entire universe of e-commerce spending.

Private consulting firms and research and polling firms that provide estimates of the impact of the Internet on consumers and business, such as Nielsen and Gallup have also entered the field, along with new types of companies, such as Forrester Research, Gartner Group, Jupiter Communications, International Data Corporation (IDC), and Nielsen/Net Ratings. There is much debate over which Web measurement company's methods are more accurate. The research firms disagree among themselves about sampling methods, panel selection, and differing methods of identifying and soliciting the survey participants result in different data interpretations.

This report addresses the complexities of measuring e-commerce growth, and provides background information on government and private firms' methods for estimating it.

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E-Commerce Statistics: Explanation and Sources

What Is E-Commerce?

Electronic commerce (or e-commerce)—i.e., business processes which shift transactions to the Internet (or some other nonproprietary, Web-based system)—is growing at a rapid rate. The value of e-commerce transactions, although still small relative to the size of the U.S. economy, continues to show strong growth despite a recent economic downturn. More significant than the dollar amount of these transactions, however, are the new business processes e-commerce makes possible and the new business models it is generating. Many new Internet-based companies and traditional producers of goods and services are working to transform their business processes into e-commerce processes in an effort to lower costs, improve customer service, and increase productivity, with varying degrees of success.

Congress will play a vital role in many e-commerce policy issues, including Internet taxation, encryption and electronic authentication (i.e., digital signatures), intellectual property protection (i.e., patent or copyright infringement), computer network security, and privacy safeguards for individuals and organizations, as well as consideration of how European Union (EU) and World Trade Organization (WTO) policies may affect U.S. e-commerce activities.

Complexities of Measuring E-Commerce

Difficult to Define

Although e-commerce growth is widely discussed, it remains largely undefined and unrecognized in official economic statistics. Establishing relevant and consistent working definitions is a critical first step in developing useful measures for e-commerce. Policymakers, industry, and the media use a variety of methods to capture digital or electronic economic activity. Moreover, these terms often are used interchangeably and with no common understanding of their scope or relationships.¹

¹ Barbara Fraumeni, Marilyn Manser, and Thomas Mesenbourg, "Government Statistics: E-Commerce and the Electronic Economy," U.S. Census Bureau, June 15, 2000, available at [<http://www.census.gov/econ/www/ecom2.htm>].

It is difficult to determine if all the dimensions of what is occurring in e-commerce can be identified. For example:

- How is business-to-business (B2B) and business-to-consumer (B2C) e-commerce impacting on the accuracy of labor surveys?
- What are the goods and services choices, characteristics, and prices offered?
- How difficult is it to track international transactions; and business costs and productivity?²

Other Measurement Challenges

E-commerce businesses pose additional measurement challenges. These businesses can quickly expand their product line, adding new goods and services, even entering into entirely new kinds of activities, much faster than their retail and wholesale brick-and-mortar counterparts.

Additionally, the characteristics and prices of e-commerce products may not be the same as those sold in retail brick-and-mortar outlets or through wholesalers. For example, the Consumer Price Index (CPI) and resulting real personal consumption measures do not capture all aspects of consumer benefits from business-to-consumer transactions. E-commerce retail purchases may involve particular amenities for the consumer (such as convenience of shopping from home, added information that is available on the product, or lower prices) or deterrence (such as frustration at lengthy downloads, not being able to examine an item, or service deterioration).

These are the types of factors that are not captured in general in measures of prices and real gross domestic product (GDP). It is not clear that these sorts of problems are greater for e-commerce than for other activities, nor even that they do not in general balance out. In the area of business-to-business e-commerce, improved speed and convenience may result in lower costs and higher productivity, but may not be reflected in the measured characteristics or effective prices of the goods and services exchanged or in measures of real output.³

Another controversy is the ability to measure Web use in the workplace. Approximately 66% of U.S. workers have access to the Internet at work;⁴ and, according to a December study by the Nielsen/NetRatings research firm, half of all online purchases in the United States in November 2001 were done from the workplace. (Despite the fact that there are three times more Internet users who have Web access at home, the percent of shopping activity at work matches the percentage

² Ibid. Government Statistics, section IIB.

³ Ibid.

⁴ Xylo, "The Xylo Report August 2001: Internet Usage in the Workplace (benchmark study)," press release, August 21, 2001, available at [<http://www.xylo.com/press/pr082101.htm>].

of shopping from home.)⁵ Companies are notoriously reluctant to place Web measurement software on their workers' computers.⁶ Privacy and the protection of proprietary business information would most likely have to be resolved before this could become a common measurement tool.

Government Estimates

Bureau of the Census

The Bureau of the Census initiated an aggressive program in 2000 to begin filling the e-commerce data gap. During the summer of 1999, the Census Bureau developed definitions and concepts to describe the digital economy, identifying three components: electronic business, electronic commerce, and e-business infrastructure. In order to begin measuring e-commerce, data were collected in four Census Bureau surveys: the Annual Survey of Manufacturers, the Annual Trade Survey, the Service Annual Survey, and the Annual Retail Trade Survey. In the fall 1999, the Bureau added two questions to its monthly retail trade survey of 8,000 retail firms: whether the firms were selling online, and if they reported affirmatively, what was the dollar volume of their e-commerce sales. The Bureau developed a new Internet site—E-Stats [<http://www.census.gov/eos/www/ebusiness614.htm>], devoted to “measuring the electronic economy” with data reports, information on statistical methodology, related data program links, and e-commerce contacts.

Statistics. In March 2001, *E-Commerce 1999* was posted to the E-Stats site, providing the first official data on e-commerce activity for key sectors of the U.S. economy.⁷ In June 2000, an E-Stats analytic report, *Manufacturing 1999 and Mid-2000*,⁸ provided a comparison of 1999 online purchases and e-commerce shipments at U.S. manufacturing plants and presented the first data on e-business processes in those plants.

The first official retail e-commerce estimates were released on March 2, 2000, covering the fourth quarter 1999. This retail sales report provides a tally of retail sales of goods and services where an order is placed by the buyer or where price and terms of sale are negotiated over an Internet, extranet, Electronic Data Interchange (EDI) network, electronic mail, or other online system. The data is collected monthly

⁵ Nielsen/NetRatings, “Nielsen/NetRatings Announces Top E-Tailers, Led by Amazon.com,” press release, December 19, 2001, available at [http://www.nielsen-netratings.com/2001_Holiday/holiday_release.jsp].

⁶ Mike O’Leary, “Web Measurers Wrestle with Methodologies, Each Other.” *Online*, May/June 1999, p. 106.

⁷ U.S. Bureau of the Census, *E-Commerce 1999*, March 7 2001, see [<http://www.census.gov/eos/www/papers/estatstext.pdf>].

⁸ U.S. Bureau of the Census, *Manufacturing 1999 and Mid-2000*, June 8, 2001, see [<http://www.census.gov/eos/www/papers/MCDTEXT1.pdf>].

but published in quarterly estimates. (The most recent retail e-commerce sales figures are at [<http://www.census.gov/mrts/www/current.html>].)⁹

In November 2001, the Census Bureau released U.S. retail e-commerce sales figures for the third quarter of 2001.¹⁰ The Bureau estimated that U.S. retail e-commerce sales for the third quarter of 2001, not adjusted for seasonal, holiday, and trading-day differences, was \$7.47 billion, an increase of 8.3 % from the third quarter 2000. Total retail sales for third quarter 2001 were estimated at \$786 billion, an increase of 1.8% from the same period a year ago. The third quarter 2001 e-commerce estimate increased 0.2% from the second quarter of 2001, while total retail sales decreased 2.6% from the prior quarter. E-commerce sales in the third quarter of 2001 accounted for 0.9% of total sales, unchanged from the second quarter of 2001. E-commerce sales were 0.9% of total sales in the third quarter of 2000. This retail e-commerce sales report provides a simple tally of retail sales of goods and services where an order is placed by the buyer or where price and terms of sale are negotiated over an Internet, extranet, Electronic Data Interchange (EDI) network, electronic mail, or other online system.

One analyst concludes, "That is a far cry from the monthly retail reports released by the Census Bureau, which break down [conventional] sales totals of traditional retailers by categories like shoes, liquor, and furniture."¹¹ Census Bureau officials hope to achieve a similar level of detail with e-commerce reports, but they must overcome obstacles which have slowed the effort.

First is the issue of how to categorize retailers who appear, disappear, or change their products with dizzying regularity. For instance, Lee Price, chief economist for the Economics and Statistics Administration, was quoted as saying, "It's not just a question of taxonomy. It's one of evolving taxonomy. Amazon used to just sell books. Now they sell a much more varied selection. You have to figure out how to capture that."¹² Also, businesses are still developing interactions between brick-and-mortar establishments and their e-commerce equivalents (for example, Wal-Mart's physical stores compete with its Internet presence).

⁹ Thomas Mesenbourg, *Measuring Electronic Business*, U.S. Bureau of the Census, 2001, see [<http://www.census.gov/eos/www/papers/ebusasa.pdf>].

¹⁰ Retail E-Commerce Sales in Third Quarter 2001 Were \$7.5 Billion, Up 8.3 Percent from Third Quarter 2000, Census Bureau Reports. Bureau of the Census press release, November 28, 2001. See [<http://www.census.gov/mrts/www/current.html>].

Note: The retail e-commerce data in this report are based on a new sample of retailers that uses the North American Industry Classification System (NAICS) in place of the Standard Industry Classification (SIC) system. The retail e-commerce sales prior to first quarter 2001 were restated on a NAICS basis beginning with fourth quarter 1999.

¹¹ Bob Tedeschi, "Government Figures Will Shed Little Light on Holiday Online Sales," *New York Times Cybertimes*, Jan. 10, 2000.

See [<http://www.nytimes.com/library/tech/00/01/cyber/commerce/10commerce.html>].

¹² Ibid.

Second, participation in the Monthly Retail Trade Survey is voluntary for e-businesses. The Census Bureau derived the initial fourth quarter 1999 e-commerce data from questions asked in its monthly retailing survey, which was sent to approximately 11,000 retail firms. Of that total, 7,500 companies responded—2,000 of which indicated they were involved with Internet retailing. As in all sampling surveys, analysts must weigh the data from those who did not respond, just as they weigh the results of those who responded. In contrast, the Annual Retail Trade (ART) survey *requires* participation by businesses. The 2001 ART, which will be mailed out in February 2002, will provide the first comparable annual survey and will become the baseline for future quarterly data, according to the Bureau. It is anticipated that this data will be available in March 2003.

(It is important to note that the Census Bureau is measuring the overall “electronic economy” with its E-Stats program, not simply retail sales.)

Industry analysts and executives are hopeful that Census Bureau figures will provide more reliable information than is now available. This will be important for seeing long-term trends, but the data will not provide immediate data on Internet sales. Jack Staff, chief economist with Zona Research, has stated “It’ll take at least three years for the government data to be highly usable. But there’s a whole segment of the Internet industry that’s devoted to the numbers, and it’ll be fundamentally changed once better numbers come along. And that’s as it should be.”¹³

Bureau of Economic Analysis

The Bureau of Economic Analysis (BEA), within the U.S. Department of Commerce, is also involved with measuring the “new economy,” which it defines as the impact of technological innovation over the last several decades, including electronic commerce. Among the questions BEA is considering are:

- Is it real, or is it an illusion of measurement?
- Does it represent a fundamental and lasting change in the structure of the economy, or is it the result of a number of temporary phenomena?
- Can it be accurately measured?¹⁴

The answers to these questions are important because if it is real, structural, and likely to last, then there are major implications for tax and spending projections, technology policy, and understanding of long-term growth and productivity. Conversely, if the new economy is not real and is not likely to last, there are major implications for federal budget projections.

¹³ Ibid.

¹⁴ J. Steven Landefeld and Barbara M. Fraumeni, “Measuring the New Economy,” *Survey of Current Business*, Mar. 2001, p. 23-40.
See [<http://www.bea.doc.gov/bea/articles/beawide/2001/0301mne.pdf>].

The BEA concludes that the Census Bureau's estimates provide important insight into various aspects of the new economy, but a comprehensive examination of the major issues requires further information on the overall volume of e-business, as well as its impact on GDP, across products, industries, and regions, and on incomes and prices.¹⁵ BEA is proposing a comprehensive measure of e-business and high-tech that would measure the new economy in a comprehensive and consistent fashion. However, without such measures, researchers have attempted to measure the impact of the new economy using existing BEA estimates—mainly information from BEA's national income and product account (NIPA) estimates, its wealth accounts, its international transactions accounts, and its input-output data I-O and GDP-by-industry accounts.

Consulting and Research Firm Estimates

More and more businesses have decided that the Internet is the key to success and are aware of their acute need for e-commerce guidance. With increasing frequency, e-commerce research firms declare that they have all the answers for e-commerce strategies. As a 1999 *Fortune* article states, "No one knows how much real insight online consulting firms provide, but what would-be Internet player can afford not to subscribe? Planning for the future is hard in a mature industry; it's nearly impossible in one still teething."¹⁶

Web traffic measurement may seem tedious, but with the number of dollars at stake, it is very important to businesses. For instance, advertisers, who are spending a lot of money, are very interested in knowing how many eyes, and whose, are viewing their ads. (A recent survey from the Association of National Advertisers [ANA] estimated that 79% of major U.S. companies advertised online last year, up from 67% in 1999. The average online ad allocation per company was \$2.4 million.)¹⁷

Thus, new business activity has emerged to fill the need to gather e-commerce statistics: gathering and selling strategic and statistical information about the Internet. Internet organizations, such as the Internet Society and the International Telecommunications Union, have begun to compile information on the size and growth of the Internet. Ideally, e-commerce growth and demographics can be calculated from these organizations' estimates of the total Internet "universe." Private consulting firms and research and polling firms such as Nielsen and Gallup also entered the field, along with new types of companies, such as Forrester Research, Gartner Group, Jupiter Communications, International Data Corporation (IDC), and Nielsen/NetRatings, which provide estimates of the impact of the Internet on consumers and business.

¹⁵ Ibid. p. 26.

¹⁶ Daniel Roth, "My, What Big Internet Numbers You Have!" *Fortune*, Mar. 15, 1999, p. 114-20.

¹⁷ Nua Internet Surveys, *Most Large Firms Advertise Online*, Oct. 18, 2001, available at [http://www.nua.ie/surveys/?f=VS&art_id=905357310&rel=true].

There is much debate over which Web measurement company's methods are more accurate. The research firms disagree among themselves about sampling methods and panel selection, since differing methods of identifying and soliciting the survey participants result in different data interpretations.

Forrester Research in Cambridge, MA, and Jupiter Communications in New York City are two of the largest Internet research firms. They are so-called syndicated research firms, which means that they publish a wide range of reports with high subscription fees to a small, targeted audience of corporate executives. For example, for approximately \$20,000, a company can buy a subscription for one of eight industry sector guides from Jupiter Communications. Then every month for a year, it receives a 32-page report filled with analysis and advice, survey data, and industry forecasts, all on the impact of e-commerce in a particular field.

To compile their information, these firms' analysts interview advertisers and executives at top Web sites, review annual reports, adjust overly-optimistic figures, assemble historical research comparing ad spending with consumer research, and estimate spending for online advertising. As Forrester's chief Internet advertising analyst says, "The interesting thing about projections is that they come out looking very exact. But really, it's just your opinion expressed numerically."¹⁸ Although research firms such as Forrester and Jupiter attempt to make methodical projections, the results are often imprecise.

One observer says the models used by Forrester or Jupiter "have little resemblance to statistical techniques, like regression analysis or time-series analysis, used by traditional market researchers or industrial forecasters to determine next year's worldwide consumption of, say, gasoline or Coca-Cola. That, of course, is because enterprises that forecast the consumption of resources or consumer items can draw on decades of historical data."¹⁹ Using such techniques would not now work for companies like Forrester or Jupiter because the Internet e-commerce environment has existed for only 3 to 4 years for most businesses.

In the business of assessing the Internet's future, there seems to be little accountability for incorrect forecasts. Many industry executives "admit that they view the companies and the media froth they generate as necessary evils"²⁰ But businesses need the Internet research consultants' estimates to write business plans and attract investors, although, at this time, the estimates are not based on historically valid measurement models.

¹⁸ Roth, p. 120.

¹⁹ Jim Frederick, "\$6 Billion on Online Holiday Sales by the End of This Month! \$24 billion in Internet Ads by 2003! 2.3 Trillion E-biz Predictions by 2010!" *New York Times Magazine*, Dec. 19, 1999. p. 70-73.

²⁰ Ibid., p. 73.

Recent E-Commerce Statistics

With all the caveats discussed above, following is a sampling of estimates of the size and growth of e-commerce. (For a selected list of Web sites for e-commerce statistics, see the *Selected Web Addresses for Internet and E-Commerce Statistics*, below.)

- As discussed above, the Bureau of the Census Internet site—E-Stats [<http://www.census.gov/eos/www/ebusiness614.htm>]²¹—provides official federal data and estimates to measure the electronic economy.
- The number of Americans buying online will nearly double from 64.1 million as of 2000 to 130 million by 2005, according to a report by the research firm eMarketer. The report has varying e-commerce estimates for the year 2001 in the United States, with numbers ranging from \$37.1 billion by Direct Marketing Association to \$117 billion by Keenan Vision. eMarketer's own estimate is that U.S. business-to-consumer revenues, which totaled \$38.3 billion in 2000, will quadruple to \$156 billion by 2005. These numbers vary significantly from the estimates provided by the U.S. Census Bureau (see above).²¹
- Global spending on e-business infrastructure is set to fall to \$31 billion this year, down from \$36 billion last year, according to Strategy Analytics. The drop in spending can be attributed to "last year's dot-com implosion and this year's global economic downturn," according to the firm.²²
- Nielsen/NetRatings released its *First Quarter 2001 Global Internet Trends* report, which surveyed 27 countries in North America (but not the United States), Europe, the Middle East and Africa, Asia-Pacific, and Latin America.²³ One in 11 European adults used the Internet to make an online purchase in the first quarter of 2001, according to this report.
- A report from McConnell International discusses the "e-readiness" of 53 countries. *E-readiness* is defined as "the capacity of nations to participate in the global economy," and the report measures e-readiness by examining each country's progress in five key sectors: connectivity, e-leadership, information security, human capital, and e-business climate. These 53 countries together contain over two-thirds of the world's population.²⁴

²¹ Paul Krill, "E-Commerce Grows, Despite Slumping Economy," *PC World.com*, Sept. 25, 2001, see [<http://www.pcworld.com/resource/printable/article/0,aid,63206,00.asp>].

²² Nua Internet Surveys, *Spending on Ebusiness Initiatives to Drop*, Sept. 25, 2001, see [http://www.nua.com/surveys/index.cgi?f=VS&art_id=905357226&rel=true].

²³ Nielsen/Net Media, "429 Million People Worldwide Have Internet Access," press release, June 11, 2001. [http://209.249.142.22/press_releases.asp?country=north+america&range=365&submit=GO]

²⁴ McConnell International, *Ready? Net. Go! Partnerships Leading the Global Economy*, May (continued...)

Selected Web Addresses for E-Commerce Statistics

Center for Research in Electronic Commerce (University of Texas, Austin)
[<http://cism.bus.utexas.edu/>]

Digital Economy 2000 (report from the U.S. Department of Commerce, June 2000)
[<http://www.esa.doc.gov/de2k.htm>]

eMarketer
[<http://www.emarketer.com/estatnews/>]

E-Stats, March 2001 (results of the 1999 e-commerce survey by the U.S. Bureau of the Census)
[<http://www.census.gov/econ/estats/papers/estatstext.pdf>]

Internet Economy Indicators
[<http://www.internetindicators.com/facts.html>]

Measuring the Internet Economy, January 2001 (University of Texas and Cisco Systems)
[<http://www.internetindicators.com/>]

University of California E-conomy Project
[<http://e-conomy.berkeley.edu/>]

U.S. Government Electronic Commerce Policy
[<http://www.ecommerce.gov/>]

²⁴ (...continued)

2001, see [<http://www.mcconnellinternational.com/ereadiness/ereadinessreport2.htm>].

Appendix E

Web Page Evaluation Worksheet

1996 Dr. Nancy Everhart

Title of Web Site:

URL:

Directions: Use your judgment in allotting points for the various categories. Total the points for score.

Currency (0 to 15 Points)

The site has the date of last revision posted.

The site has been updated recently.

Frequency of planned updates and revisions is stated.

Content/Information (0 to 15 Points)

The information will be useful to our curriculum and/or student interest.

This information is not available in any other format elsewhere in my library.

The information on the topic is thorough.

The information is accurate.

The purpose of the page is obvious.

The information is in good taste.

The page uses correct spelling and grammar.

Authority (0 to 10 Points)

The authors are clearly identified.

The authors and/or maintainers of the site are authorities in their field.

There is a way to contact the author(s) via e-mail or traditional mail.

You can easily tell from the domain name where the page originates.

Navigation (0 to 10 Points)

You can tell from the first page how the site is organized and what options are available.

The type styles and background make the page clear and readable.

The links are easy to identify.

The links are logically grouped.

The layout is consistent from page to page.

There is a link back to the home page on each supporting page.

The links are relevant to the subject.

The icons clearly represent what is intended.

Experience (0 to 10 Points)

The page fulfills its intended purpose.

The page is worth the time.

The page's presentation is eye-catching.

The site engages the visitor to spend time there.

Multimedia (0 to 10 Points)

Sounds, graphics or video enhance the site's message.

Treatment (0 to 10 Points)

Any biases towards the subject matter can be easily identified.

The page is free from stereotyping.

The page is age appropriate for content and vocabulary for its intended audience.

Access (0 to 5 Points)

You can connect quickly to the page.

The page is available through search engines.

The page loads quickly.

You can choose whether to download smaller images, text-only, or non-frame versions.

Miscellaneous (0 to 15 Points) -

The page has received an award(s).

There are no per-use costs involved.

Interactions asking for private information are secured.

Information can be printed without the need to change your system configuration.

Information is presented in short enough segments so it can be printed out without backing up the system for other users.

The page has its own search engine for searching within the page.

TOTAL:

Scoring:

90 - 100 Excellent

80 - 89 Good

70 - 79 Average

60 - 69 Borderline Acceptable

Below 60 Unacceptable

Comments:

For permission to reprint contact: Dr. Nancy Everhart, St. John's University, Division of Library and Information Science, 8000 Utopia Parkway, Jamaica, NY 11439 (718) 990-1454 nancye@ptd.net

Revised Worksheet for Lone Tree Creek

Web Page Evaluation Worksheet

Title of Web Site:

URL:

Directions: For each item award a point if the criteria is met. Upon completion total the points.

Currency

The site has the date of last revision posted.

The site has been updated recently.

Frequency of planned updates and revisions is stated.

Content/Information

The information will be useful to customers for purchase information and/or interest.

This information is not available in any other format elsewhere on the web.

The information on the topic is thorough.

The information is accurate.

The purpose of the page is obvious.

The information is in good taste.

The page uses correct spelling and grammar.

Authority

The authors are clearly identified.

The authors and/or maintainers of the site are authorities in their field.

There is a way to contact the web master(s) via e-mail or traditional mail.

You can easily tell from the domain name where the page originates.

Navigation

You can tell from the first page how the site is organized and what options are available.

The type styles and background make the page clear and readable.

The links are easy to identify.

The links are logically grouped.

The layout is consistent from page to page.

There is a link back to the home page on each supporting page.

The links are relevant to the subject.

The icons clearly represent what is intended.

Experience

The page fulfills its intended purpose.

The page is worth the time.

The page's presentation is eye-catching.

The site engages the visitor to spend time there.

Multimedia

Sounds, graphics or video enhance the site's message.

Sounds, graphics or video distract the site's message. (DEDUCT 1 point for each instance)

Access

You can connect quickly to the page.

The page is available through search engines.

The page loads quickly.

Miscellaneous

The page has received an award(s).

There are no per-use costs involved.

Interactions asking for private information are secured.

Information can be printed without the need to change your system configuration.

The page has its own search engine for searching within the page.

TOTAL:

Scoring:

30-35 Excellent

25-30 Good

20-25 Average

15-20 Borderline Acceptable

Below 15 Unacceptable

Basic Marketing Plan Outline
Lone Tree Creek
www.lonetreecreek.com

Lee Friesen
12/20/02

Introduction

The primary focus of this marketing plan is to promote Lone Tree Creeks website of <http://www.lonetreecreek.com>. Lone Tree Creek is a small business located in the southeastern part of South Dakota along the banks of the Lone Tree Creek. Lone Tree Creek's business originated as a used farm toy, agricultural memorabilia and antique dealer. The business has always been a complimentary economic source to Lone Tree Creek; one goal is to transform it from a complimentary source to a primary source. Primarily as a collector of agricultural models and memorabilia, Lone Tree Creek found it increasingly difficult to add unique affordable items to their collection. From this began a small business venture designed to create and market specialty agricultural items in limited quantities to accent the collectors market. The financial goals of Lone Tree Creek are initially to become financially sound to be able to run independently. As a member of the Menno-Olivet Economic Development Corporation the goals for the community include adding to the economic base by eventually being able to add employees. Since niche' markets exist, it is the goal of this marketing plan to help Lone Tree Creek to identify the niche' and to market the website of <http://www.lonetreecreek.com>. Through this marketing plan I will identify specific items that need to be addressed by Lone Tree Creek in order to secure them a strong web presence. This web presence will allow Lone Tree Creek's products to be visually represented in a manner that would be similar to physically viewing the product. Thus increasing the international visibility of Lone Tree Creek and ultimately Lone Tree Creek's product line. Lone Tree Creek has proven that they can offer superior products. Superior in both limited quantities and quality. But they dramatically lack name recognition. They also lack the budgets that their competitors have. Therefore this marketing plan will focus on economical choices for the promotion of the website <http://www.lonetreecreek.com>. A finely tuned marketing plan with several suggestions to enhance the current visibility of Lone Tree Creek's website and at the same time increase the customer base of Lone Tree Creek's niche' products has been devised. This marketing plan, once implemented will prove to push Lone Tree Creek into new frontiers enabling their business to grow while still maintaining the same quality and commitment to their current clientele list.

Market Analysis

Industry Trends:

The industry has proven that while 10 years ago, ERTL toys (now Racing Champions/ERTL) were the only primary source for collectors to add agricultural models to their collections, that trend is changing. Collectors today are becoming less concerned with the manufacturer and more concerned with the product. While this trend is continuing to move in that direction, ERTL continues to hold the strongest market share. Along with the strongest market share, ERTL also has the widest international name recognition. Along with this name recognition, ERTL also enjoys the ability to have somewhat of a solid following. Certain collectors will only buy new products to add to their collections if it is an ERTL product. The focus of this marketing plan is not to target these customers, but to try and increase the general name recognition over the Internet for Lone Tree Creek.

The industry has grown from 1 primary source of agricultural models to 3 very well known manufacturers: ERTL, Spec Cast and Scale Models. There are also spin-offs from ERTL: Joe Ertl and Die-Cast Promotions. There are also a number of other companies that are entering or have

entered the agricultural market during the past 10 years: NZG, Britains, Moore's Farm Toys and C & D Models. Within these toy manufacturing companies there are also a number of specialty custom businesses that create limited edition models for collectors: Riecke and Dave Nolt for example.

Research has shown that the collectors get their information regarding buying decisions from a wide variety of sources: Agricultural Equipment Dealers, Farm and Fleet Supply Stores, Friends, other collectors and Magazines/Newsletters such as The Toy Farmer, Toy Tractor Times, John Deere Traditions, Farm Collector, Spec Cast's Toy Collector Club, ERTL Fan Club, as well as others. The research continued to show that The Toy Farmer, John Deere Traditions (for John Deere items), Farm Collector and Agricultural Equipment Dealers were the primary sources of information that collectors utilized. Friends and other collectors were high-ranking choice as well, however in an effort to track those individuals to gain market recognition one would have to implement a 'word of mouth' advertisement campaign. Since a 'word of mouth' campaign is nearly impossible to track, the focus will be on those areas that can accurately measure the results.

The Problem: After the initial meeting with Lone Tree Creek I learned that while Lone Tree Creek has excellent products, they lack visualization on a state, national and international level. An unscientific random survey of 50-farm toy collectors within a 25-mile radius of Olivet found that virtually zero (2) people had heard of Lone Tree Creek. The number was slightly higher (5) of people that were aware of a new company in South Dakota that was going to be making toys. We identified the problem being two-fold. First was making sure the Lone Tree Creek name could be identified by potential clients, second, was to ensure that those potential clients were aware of the specialty products that are available to them, in turn converting potential clients to actual customers. In order to correct the problem we have tailored this plan to gain name recognition of identified potential clients and dramatically increase the name recognition and clientele list of Lone Tree Creek.

Lone Tree Creek's initial clientele list is focused on John Deere Dealers across the country. Because of licensing agreements with Deere & Company, Lone Tree Creek cannot initiate contact between these companies. All direct marketing activities must be done through Deere & Company corporate headquarters.

Buyer Profile:

Our suggestion is to sell the sizzle, not the steak—but not forgetting that the customer ordered the steak, not the sizzle. The typical buyer will range in age from 7 to 70. The spending habits are to an extent correlated with age. The younger buyer will be less likely to spend over \$50.00 per product than will the older collector. Collectors in the age ranges of 30-50 typically will spend in the range of \$50.00 to \$500.00. As a general rule collectors over 50 will spend over \$500.00 on specific items. While these price ranges are very general they do follow a pattern. The price collectors are willing to pay for an item depends greatly on the item. For example some collectors will pay over \$1000.00 for a celluloid pin-back button but be unwilling to spend \$1.00 for a collection of 20 different pin-back buttons. Research has shown that a relatively small, but growing numbers of buyers are beginning to look at specialty products for their limited numbers. The old adage "The one who dies with the most toys wins!" has been a motto of the toy industry. Through discussions with collectors, I have learned that in a slow, but growing trend collectors are advancing and the adage is being altered to "The one who dies with the best toys wins!"

Collectors are easily impressed with great detail in products, but not so easily convinced to purchase. It has been a proven fact through sales results that collectors need to have some name recognition to refer to before purchasing products. This trend goes back to the ‘keeping up with the Jones’ adage.

Collectors have a growing tendency to use the Internet for buying decisions. The primary trend is still ‘feel it before you buy it’ on the higher priced items. The Internet will initially be a strong tool for sales dealing with lower priced items.

Competition Strengths and Weaknesses (SWOT Analysis): Upon review of several potential competitors that were found through personal contacts with potential clients and via the web, we have identified the following strengths and weaknesses.

Strengths

Name Recognition
Mass Production
Years in Business
Capital

Weaknesses

Customizable products only in quantities of 750 +
Mass Production

Lone Tree Creeks Strengths and Weaknesses: After several preliminary interviews with Lone Tree Creek I have identified the following strengths and weaknesses:

Strengths

Customizable products
South Dakota Business

Weaknesses

No marketing plan
Lacking Name Recognition

Opportunities

Growth
National Visibility

Threats

Losing existing customers

Market Research Results:

Business Proposition

Key Planning Assumptions

Measurable & Attainable Goals

Year 1 2003-

- Go live with the new basic website. The basic website will focus on the primary products and be expanded on a routine basis.
- Utilize www.hostcabin.com for web hosting. Implement a Database system into the website to market secondary items to provide a source of cash flow for the business.
- Initiate listings for search engine robots. Initiate contact with other websites to be listed on their pages as a link partner and join appropriate web-rings.
- Begin print advertising campaign to promote Lone Tree Creek’s name and products.

- Begin promotional plan to promote Lone Tree Creek's business.

Year 2 2004-

- Review previous years actual results.
- Continue searching for web link partners, web-rings and continue with print advertisements.
- Expand database system to allow for e-mail newsletters to customers and potential customers.
- Expand the basic website offer full coverage on all Lone Tree Creeks products and future release information.
- Enhance the website with video feeds and downloadable 'fun' and 'educational' information. These enhancements will allow users to come to the site for information and be exposed to Lone Tree Creek's products.

Year 3 2005-

- Review previous years actual results.
- Initial review of production capacities and employee levels and make revised projections and long range plans taking into account future research and development (R&D) of new products.

Year 4 2006-

- Review previous years actual results.
- Review production capacities and employee levels.
- Begin implementation of long-range plans.

Target Market: I have identified the products being offered by Lone Tree Creek will fill a niche' market. The target market will initially be John Deere Dealers nationwide. The target market will quickly expand to all collectors of John Deere Toys and Memorabilia. The target market has two purposes: Obtain a network of dealers to carry the products and develop a following of collectors who will ultimately be the end user.

As the target market is being developed spin off markets will also be cultivated. AGCO, more specifically collectors of REUHL Products Massey Harris farm toys will be reached through a special series of advertisements to announce a new product line.

Strategies & Action Plan

The Service: Lone Tree Creek will provide niche' market products. These products will be developed on a specialty basis and available in limited quantities.

The website will serve as the Internet store. The websites functionality, initially, will be to deliver all the messages of Lone Tree Creek. It will be the medium to introduce new products, pricing structures, philosophies, projects and other aspects of Lone Tree Creeks business. The website will also offer a meeting point to exchange ideas and concepts between dealers, prototype designers, business partners and Lone Tree Creek.

Mission Statement: To provide a superior online billboard introducing Lone Tree Creek and Lone Tree Creeks products to the masses.

Selling: The primary focus of the website will ultimately be selling. The outward appearance of the website will be informational. At this point the website is being created to serve the base needs of

Lone Tree Creek. It will be important to add database connectivity to the site, along with a shopping cart, secure server and the ability to accept credit cards.

Selling of products will be done via trade shows, eBay, Internet website, John Deere Dealerships, AGCO dealerships, phone, fax and other means of selling.

Pricing: The pricing of the website to customers will be free. There will be no charge to view the images, find out product information and to place orders. The websites pricing, selling and revenue source will be through the sales of products.

Pricing of products will largely depend upon the products and is not outlined in this general marketing plan.

Distribution: Distribution of the website information will be done via www.hostcabin.com.

Promotion: Promotion will be the key to this project.

Statistics have shown that companies spend a small portion of their advertising budgets on Internet based advertising. Statistics have also shown that most Internet users use Google, Yahoo, MSN, AOL and Ask Jeeves for their web searching. The focus on promotion of the Internet sector will be to gain high rankings in the searches in these Internet based search engines.

Print advertising will be used extensively to promote products. This print advertising will be exclusively done in the form of direct mailing brochures and in specialty magazines.

Promotion will also be done with web link partners. Web link partners are not to be confused with banner advertisements and/or pop up ads. It is NOT recommended that Lone Tree Creek participate in any banner advertisements or pop up ads. It is also recommended that Lone Tree Creek becomes a member of web rings with similar interests. All web partnering and web rings should bring the user to a well-designed page that briefly explains who Lone Tree Creek is and what Lone Tree Creek does. The user can then click to the home page of Lone Tree Creek. This will eliminate the cluttered look a website can have with a large number of web rings and web link partners.

Trade shows will be an effective form to advertise and promote the products of Lone Tree Creek. It is also important during this time frame to have the website being advertised and promoted at the same time.

*With all applicable forms of promotion, business cards and small 'usable' trinkets are very important to keeping the Lone Tree Creek name on the tips of their tongues...For these 'trinkets' we suggest a high quality ink pen and key chains. Upon the expansion of Lone Tree Creek's business, key chains can be made in house. This would allow Lone Tree Creek to deliver superior gifts to customers at a low cost.

Projected Budget

Item Description	Price
Yahoo Express Business Directory	\$300.00
Web Re-Design	\$2500.00
Graphic design	\$2500.00
Percentage share of Business Cards	\$50.00
Percentage share of Office Supplies	\$200.00
Website Submissions	\$500.00
Percentage share of Advertisements	\$50.00
Feature Business Card Ads in Magazines	\$1500.00
Website Maintenance	\$500.00
Total	\$8100.00

Evaluation and Measurement

A number of strategies have been identified to ensure the success of Lone Tree Creek for years to come. On an annual basis, sales will be reviewed and the marketing plan will be reviewed and modified as needed. Goals and objectives should be posted in a visible place to make daily awareness of them. Goals and objectives should be reviewed on a monthly basis so fine tuning can be made immediately. This marketing plan will enable Lone Tree Creeks name to penetrate into the market will full force.

Contingency Plan:

The contingency plan is simple. Annual reviews of the marketing plan, comparing actual to expected results. In the event the site is being utilized but not generating the sales, a professional graphic artist must be hired to re-design the visual layout of the site. Considering the cost of annual hosting of the website there should be no need to discontinue the website. If it is proven that the website is not generating sales a more detailed analysis of the potential clientele must be developed.

Finally, I strongly urge the continual review and solid implementation of this marketing plan to ensure success.

Closing Statement

The marketing plan is simple in nature. PROMOTION. This marketing plan was developed with a known factor: Lone Tree Creek is on a very limited budget. Promotion is the key to being seen on the Internet. It is important to be listed on the major search engines. It is also important on every piece of literature sent, business cards, letterheads and other mailings that the web address is illustrated. It is also important on all print advertisements the web address is emphasized. The website www.lonetreecreek.com can and will be successful with proper promotion. Because of the limited budget Lone Tree Creek is faced with, the true measurement of the websites success will be limited and will grow over time.

Appendix G

Logo designed by “Graphic Speed” of Sioux Falls for Lone Tree Creek



Appendix H

5-Year Plan to Improve Technology Outline

2 Computer Systems

1 Color Laser Printer

1 Color Laser Printer (Professional)

1 Black Laser Printer

Network system

Catalog Feature for Website

Shopping Cart Feature for Website

Credit Card Machine

Forwarding Digital Phone System

High Speed Internet

Bar Coding System

Professional Digital Camera System with Studio Equipment

CAD Systems

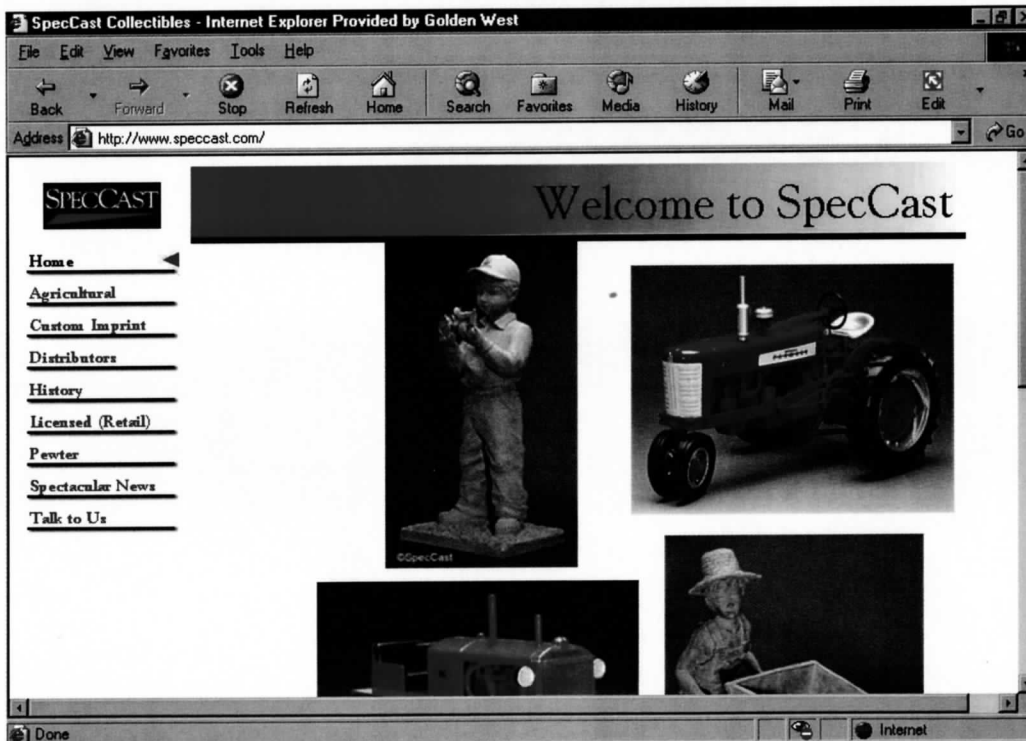
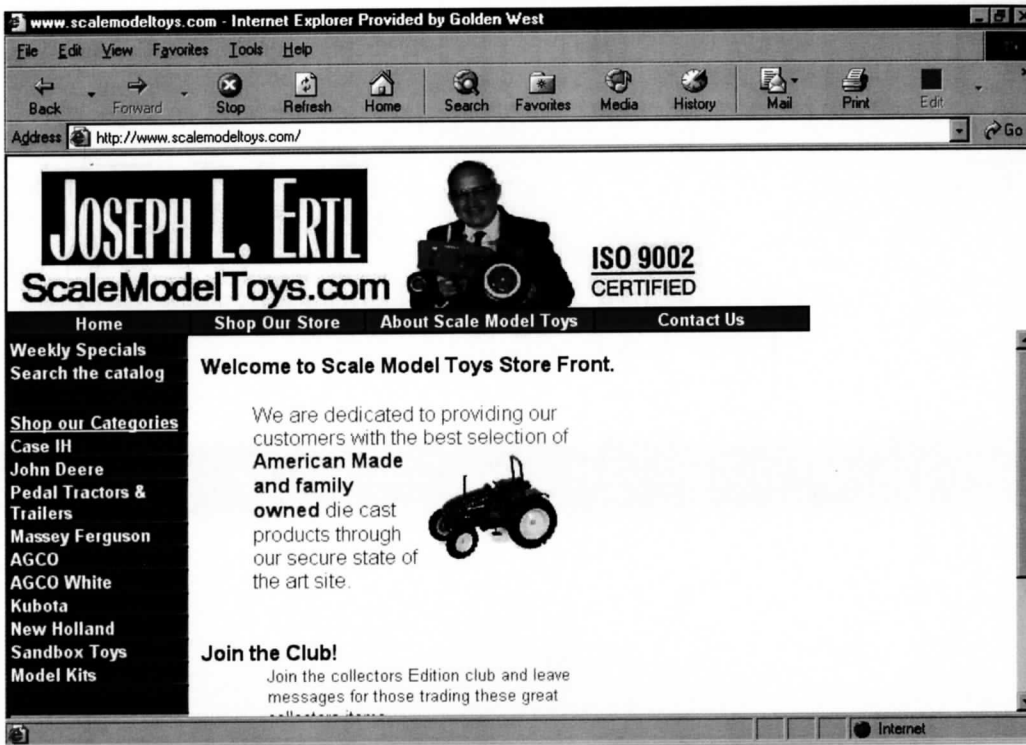
3-D Printer (SLA Machines)

MSIS Survey Lone Tree Creek (Initial)

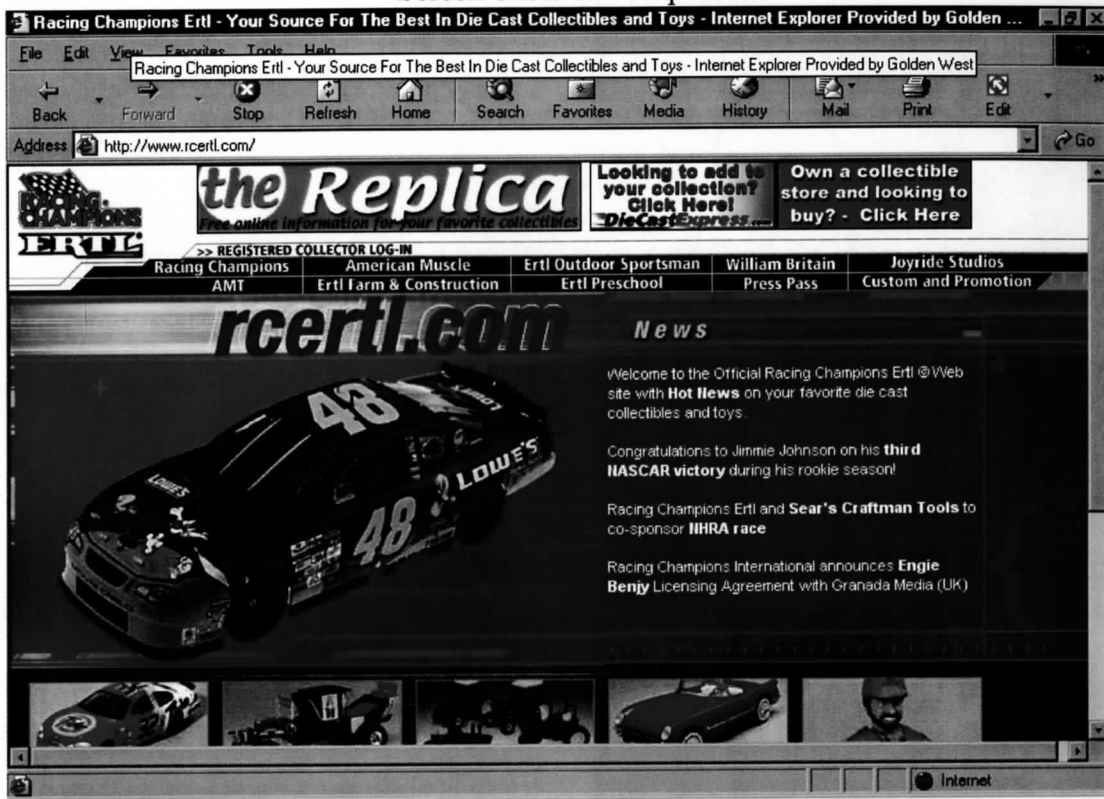
1. **Indicate the number of computers currently in use by Lone Tree Creek.**
2 (4)
2. **Indicate the system specifications of the computers in use by Lone Tree Creek.**
HP 800 MHZ computer with 196 MB RAM, 17" monitor, CDRW, DVD, Zip, 3.5", 2 USB, 40 GB HD.
Toshiba Laptop 850 MHZ with 128 MB RAM, CD, 3.5" 1 USB.
(2 older 200 MHZ computers with CD ROM, 3.5", 20 GB HD.
3. **Indicate the Internet Connection type and speed.**
Dial Up Connection with 56K modem, connecting at ~46,667 bps.
4. **Indicate operating system(s).**
Microsoft Windows 98 (HP)
Microsoft Windows 2000 (Toshiba)
(Microsoft Windows 95 in the older units)
5. **Indicate web browser typically used.**
Current Version of Internet Explorer
6. **Indicate Peripheral devices used.**
HP 4500 Color Laser Printer
Sony Digital Camera
Mustek A3 11x17 scanner- 9600 dpi
BUSlink USB external Hard Drive 40GB(for backup)

Appendix J

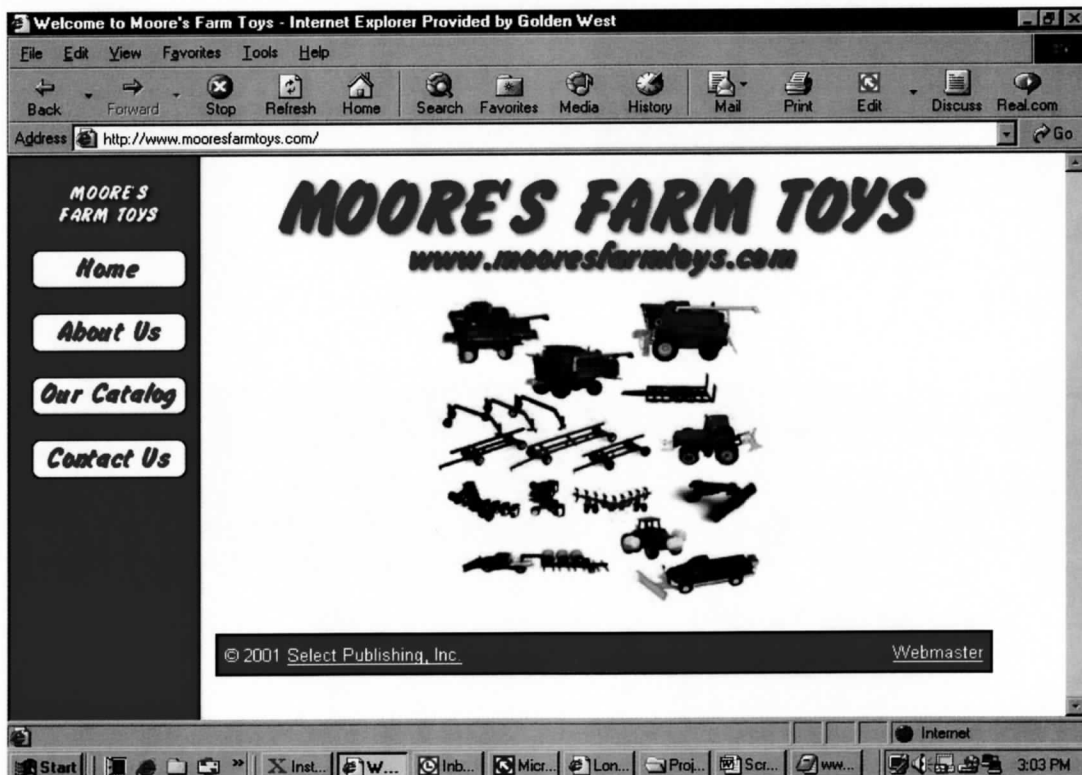
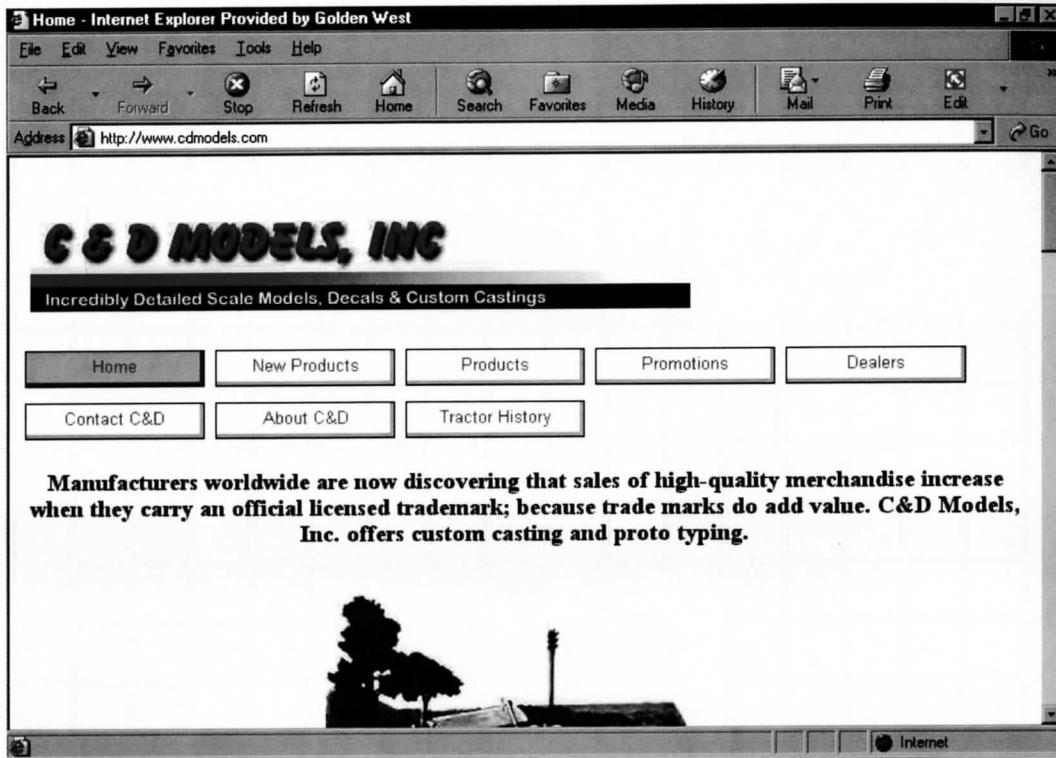
Screen Shots of Competition



Screen Shots of Competition

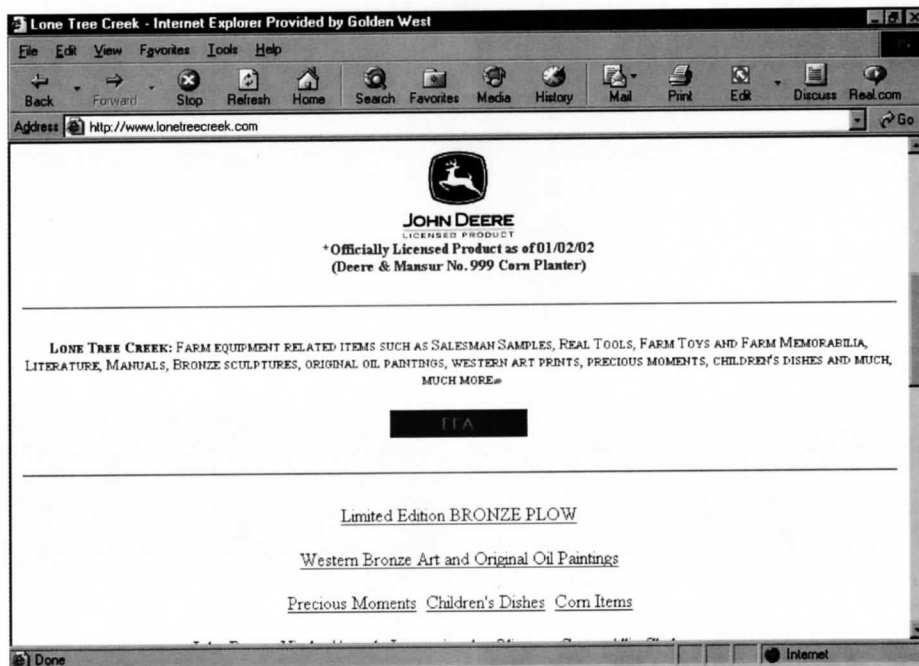
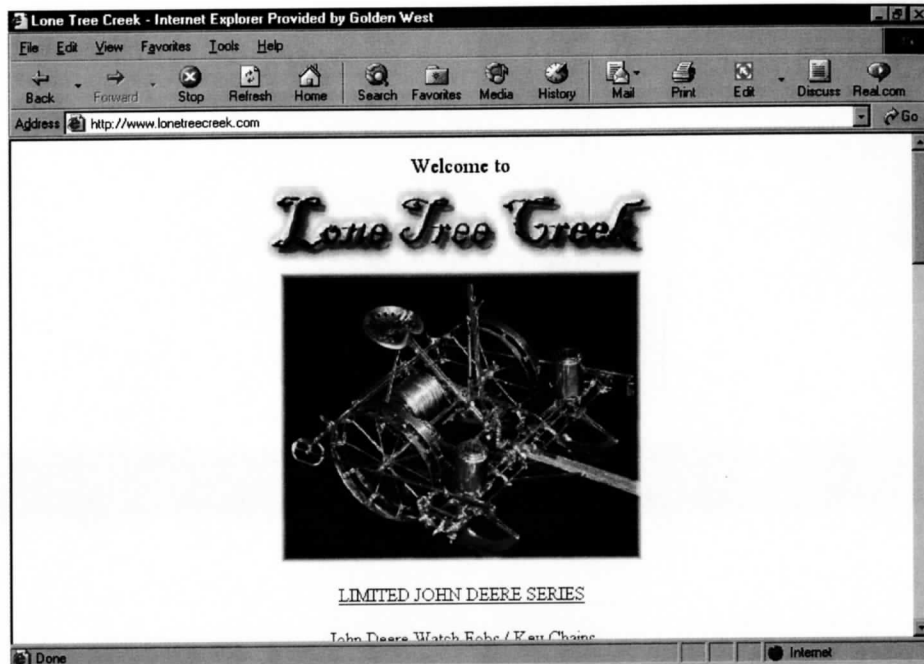


Screen Shots of Competition



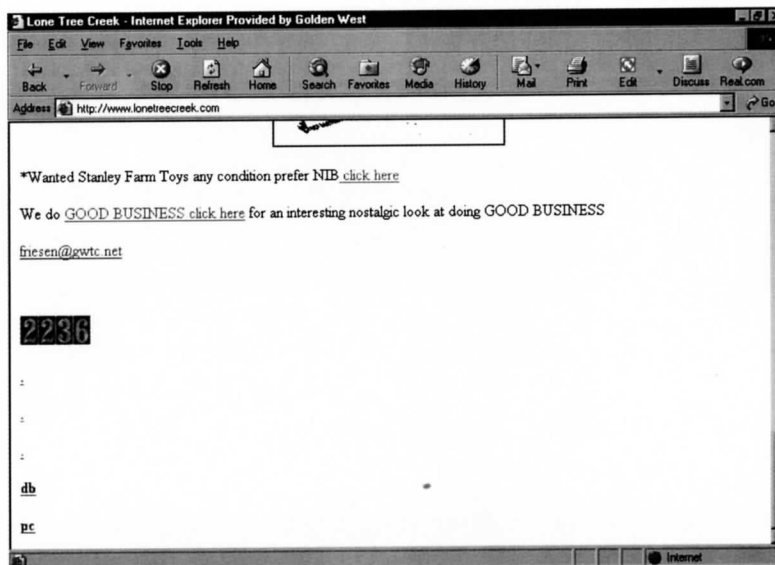
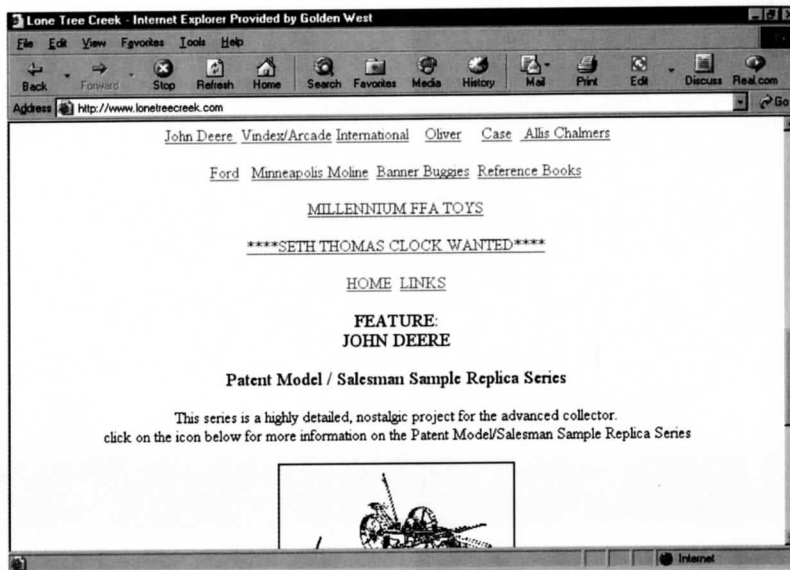
Appendix K

Original Screen Shots of Lone Tree Creek Homepage



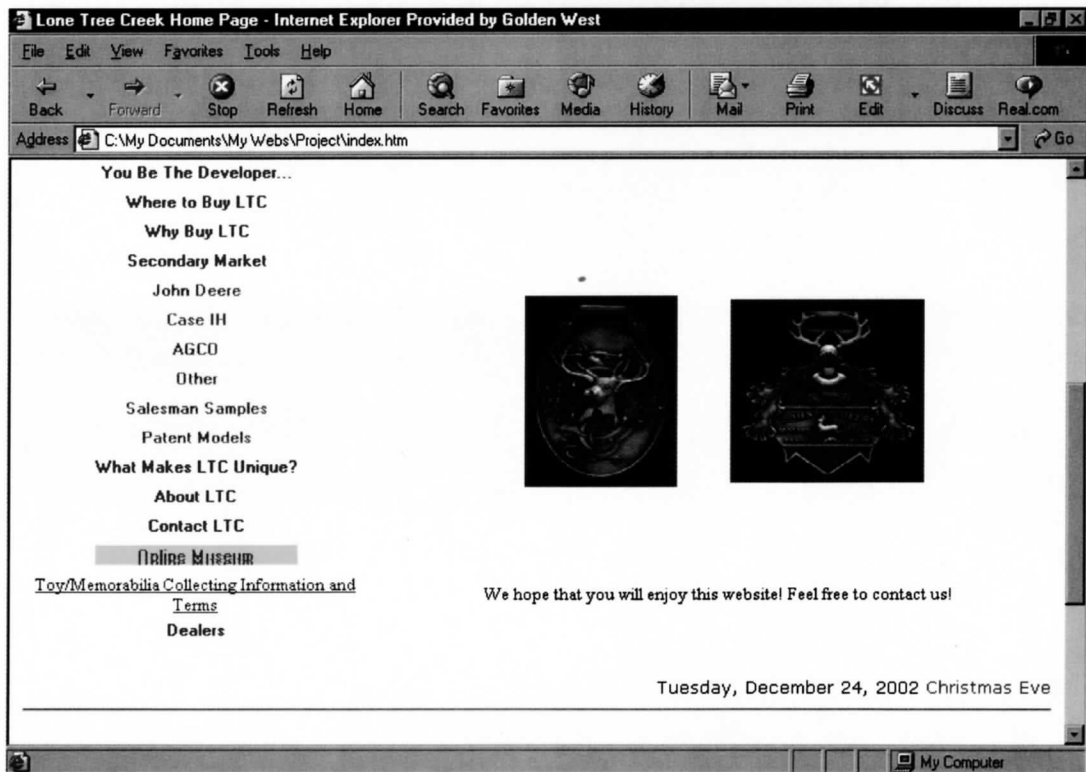
Original Screen Shots of Lone Tree Creek Homepage

(continued)



Appendix L

Screen Shots of the new Lone Tree Creek Homepage



WBS

Work Breakdown Structure:

- 1.0 Concept
 - 1.1 Research
 - 1.2 Develop 1st Stage of Project
 - 1.3 Submit for Approval
- 2.0 Evaluation of Lone Tree Creek
 - 2.1 Inventory Technology Equipment/Software
 - 2.2 Evaluate Technology Skills
 - 2.3 Determine Lone Tree Creeks Needs
 - 2.3.1 Company Logo
- 3.0 Web Site Design
 - 3.1 Initial Rough Draft
 - 3.2 Fine Tune Draft
- 4.0 Web Site Development
 - 4.1 Creation of Home Page
 - 4.2 Creation of Major Links and Pages
 - 4.3 Creation of Minor Links and Pages
- 5.0 Publishing the Site
 - 5.1 Transfer Domain Name to new host
 - 5.2 Publish the Site
 - 5.3 Search Engine submission and optimization
- 6.0 Accounting System
 - 6.1 Accounting System Evaluation
 - 6.2 Accounting System Implementation
- 7.0 E-Mail Distribution List
- 8.0 Database Development

GANTT CHART

		Nov 1-9	Nov 10-16	Nov 17-23	Nov 24-30	Dec 1-7	Dec 8-14	Dec 15-21	January
1.0	Concept								
1.1	Research	x							
1.2	Develop 1 st Stage of Project	x	x						
1.3	Submit for Approval	x		x		x	x		
2.0	Evaluation of Lone Tree Creek	x							
2.1	Inventory Technology Equipment/Software	xxx							
2.2	Evaluate Technology Skills	xxx							
2.3	Determine Lone Tree Creeks Needs	xxx							
2.3.1	Company Logo	xxxxxx							
3.0	Web Site Design	xxxxxx							
3.1	Initial Rough Draft	xxxxxx							
3.2	Fine Tune Draft	xxxxxx							
4.0	Web Site Development	xxxxxx							
4.1	Creation of Home Page *	xxxxxx							
4.2	Creation of Major Links and Pages	xxxxxx							
4.3	Creation of Minor Links and Pages	xxxxxx							
5.0	Publishing the Site								
5.1	Transfer Domain Name to new host								
5.2	Publish the Site								
5.3	Search Engine submission and optimization								
6.0	Accounting System								
6.1	Accounting System Evaluation								
6.2	Accounting System Implementation								
7.0	E-Mail Distribution List								
8.0	Marketing Plan								
9.0	Database Development *If applicable								

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